



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **COMMISSION REVOKES LICENSE OF CONVICTED FELON, SANCTIONS OTHERS FOR UNREGISTERED SECURITIES SALES**

PHOENIX – The Arizona Corporation Commission revoked the registration of a Tucson securities salesman who committed fraud in another state. The Commission also ordered a Scottsdale man and a Tucson insurance agent to return over \$360,000 to investors and pay penalties totaling \$35,000 for selling unregistered securities.

### **Chris Hugh Rutland**

The Commission revoked the Arizona registration of 63-year-old securities salesman Chris Hugh Rutland of Tucson as a result of his conviction in a New Jersey federal court last year for conspiracy to commit mail and wire fraud. The court handed Rutland a 51- to 60-month prison sentence, ordered him to pay over \$550,000 in restitution and barred him from having any further involvement in the financial advising business.

The Commission's Securities Division conducted its own investigation that revealed that Rutland, along with a co-conspirator, conspired to defraud an elderly New Jersey woman by gaining control of her bank and investment accounts. Rutland, acting as the woman's investment adviser, gained access to her accounts while in the process of preparing her tax returns.

The Division discovered that Rutland subsequently liquidated the woman's assets, placing them into annuities and money market accounts. He then submitted false documents, changing asset ownership to the co-conspirator, who systematically depleted the account for the benefit of Rutland and the co-conspirator.

The National Association of Securities Dealers (NASD) also entered an order last year barring Rutland from the financial industry after he refused to provide documents and information to the NASD in connection with the

elderly woman's complaint.

As a result of Rutland's NASD suspension and the federal conviction, the Commission has grounds to revoke Rutland's Arizona securities salesman registration because he has engaged in dishonest and unethical practices in the securities industry, even though the actions were not committed in Arizona.

From May 1997 to June 2001, Rutland was registered as a securities salesman in Arizona and was associated with a New York based company, Northeast Securities, Inc. Rutland is currently serving his sentence in a federal prison in Nevada.

### **Global Trusts, LLC, et al.**

The Commission issued a default order against 84-year-old insurance salesman, Clyde Wagon of Tucson and his business, Global Trusts, LLC, for selling unregistered pay telephone investment contracts. The Commission entered the default order after Wagon failed to appear at a scheduled hearing. The Commission also ordered Wagon to pay penalties totaling \$15,000 and return the \$110,680 he earned in commissions to nine investors, most of whom had been his insurance customers.

From November 1999 through March 2001, Wagon sold 117 contracts at \$5,000 each in Alpha Telecom, Inc., an Oregon corporation that offered the pay telephones and service contracts. Although licensed to sell insurance, Wagon was not licensed to sell securities in Arizona. In addition, neither Global Trusts nor the Alpha contracts are registered or have an applicable exemption from registration in Arizona.

Wagon and Global Trusts touted a 14 percent annual return. Investors received payments of \$58.34 per month for every purchased telephone, but payments eventually stopped after Alpha Telecom declared bankruptcy in August 2001.

Wagon and Global Trusts told prospective investors that their investments were insured and they presented Alpha Telecom as a stable, profitable and innovative company. But the Commission found that the state insurance coverage did not exist and that Alpha Telecom had been in trouble with at least twelve state and federal regulators. Investors were not aware of the company's long regulatory history, but they became aware of the bankruptcy when payments from Alpha Telecom stopped.

This is the third Commission order issued in the case. In 2003, the Commissioners originally heard the case at an August 27 open meeting where Wagon appeared and admitted to violating the state's securities laws. The Commission also anticipates that it will take separate action against other individuals who were involved in sales of the Alpha Telecom contracts.

The sale of securities by agents licensed with the Department of Insurance, but not registered with the Securities Division, is a significant problem. Many are well-meaning individuals who do not understand their responsibilities under Arizona's securities laws. The Commission urges investors to confirm their agent's securities licensure by contacting the Securities Division before they invest.

### **Robert Shakman and Healthcare Purchasing Alliance, Inc.**

The Commission issued a default order requiring 45-year-old Robert Shakman of Scottsdale and his company to return over \$250,000 to investors and pay a penalty of \$20,000 for fraudulently offering and selling securities in the form of stock and promissory notes.

The Commission found that Shakman organized a Scottsdale company, Healthcare Purchasing Alliance, Inc., to create group buying power of medical supplies and services to its members, most of whom were to be small group healthcare practices and medical professionals. Shakman portrayed himself as a licensed doctor and dentist, but the Commission found that this representation was false.

The Healthcare Purchasing Alliance offering documents touted up to a 12 percent return during the first year and a 20 percent return by the end of the second year. Investors believed that they would be receiving dividend checks, but the Commission found that investors never received any return on their investments.

Investors also believed that their investments would be refunded with "no questions asked," but the Commission found that Shakman and his company refused to pay some investors who had requested a refund.

In addition, the Commission found that Shakman and his company:

- failed to disclose that its stock offering was not in compliance with Arizona securities laws,
- failed to provide investors with financial statements,

- overstated the number of members enrolled in the program and
- overstated the number and nature of the contractual agreements with healthcare suppliers and service providers.

In this case, neither the salesman nor the securities were registered or had an applicable exemption from registration in Arizona.

Prior to investing, people should verify registration of sellers and investment opportunities by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242, toll free outside the Phoenix metropolitan area at 1-877-811-3878. The Division's website also has helpful information for investors: [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).

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